

Dear Friends & Neighbors,

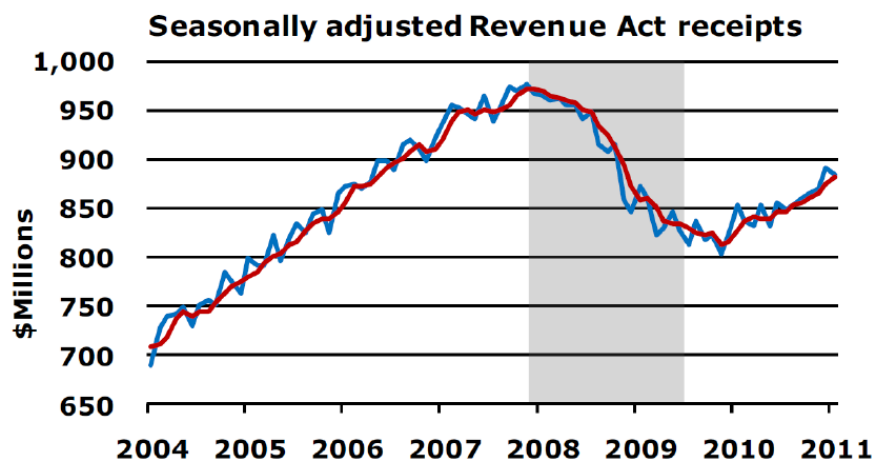
Greetings from Olympia! As we welcome the first week of spring, we're also approaching the final stretch of the 2011 Legislative Session. We have one month remaining until the Legislature is scheduled to adjourn *Sine Die* on April 24th.

Three-year revenue down another \$778 million

We've been moving forward in developing the state's operating and capital budgets. On March 17th the state [Economic & Revenue Forecast Council](#) released its new revenue forecast. The projections were not as bad as some feared, but they still indicated that the state is down by an additional \$778 million over the next three years.

You can read the Forecast Council's reports [here](#) and you can watch the full revenue forecast [here](#).

You can see from the graph below that the state's revenue collections have slowly increased after the state hit a low-point in 2010 as a result of the global economic recession.



Source: Economic & Revenue Forecast Council

After this most recent forecast, the state is now expected to receive \$80 million less for the remainder of this 2011 fiscal year and \$698 million less for the 2011/13 budget cycle. This leaves us about \$201 million short for the 2009-11 biennium, after adjusting for caseloads and assuming the governor's level of policy requests, and the projected shortfall for 2011/13 is roughly \$5 billion.

This week the House will be the first chamber to introduce their proposed operating and capital budgets, and the Senate will release their proposals shortly thereafter. As I've said throughout session, the budget cuts we make this year will be felt throughout the state. There's simply no way around this. We've already picked the low-hanging fruit, and over the next month as we grapple with an even larger deficit than we had previously anticipated, we'll be making decisions about which state services will be reduced and by how much.

However, there are smart ways to go about this budgeting process that preserve and uphold the values we share as a community and as a state. For example, we know that building and maintaining strong families is one of the best investments we can make in our state's future. That means we must keep children throughout the state healthy, offer the best education possible in our public schools, and ensure that parents have access to living-wage jobs. We also know that preserving our state's social safety net not only protects the most vulnerable in society, it's also the most humane and cost-effective approach to keeping our neighborhoods safe and our prisons and emergency rooms empty.

Wherever possible, I will continue to advocate for smart reforms and reductions, while still protecting the core services and functions of state government. It's going to be tough, but I believe that if we can make it through the next few years without losing the core infrastructure of public services, we'll be able to pick up where we left off in better economic times and continue making the investments necessary to move Washington forward.

And as we begin to make final budgetary decisions this month, many of us will continue to look at revenue options to help off-set the \$5 billion revenue shortfall. There are several revenue-increasing ideas floating around the Legislature right now, and while none have been identified as the silver bullet to our historic budget challenges, none have been taken off the table either.

A good starting point is taking a closer look at the tax breaks we give businesses and other special interest groups. There are currently hundreds of tax loopholes and exemptions in state law that cost taxpayers billions each year. Some of these tax "breaks" serve an important public purpose, such as the sales tax exemption on food, while others, such as tax exemptions for private plane owners and elective cosmetic surgery, only benefit a small minority of Washingtonians and come at a very high price.

I am co-sponsoring [SB 5857](#), which would require all tax exemptions and preferences be reviewed every two-years as part of the overall budget-writing process, as well as [SB 5754](#), which would ensure transparency by requiring the publication of tax data.

Transportation budget creates jobs, expands capacity

This week in the Senate, we laid out a \$9 billion dollar proposal for the 2011-2013 Transportation budget. As Vice Chair of the Senate Transportation Committee, I played an active role in budget negotiations over the last few weeks as we worked to develop a bipartisan proposal that meets the transportation needs of communities across the state.

It's important to remember that this budget is not only an investment in our state's transportation system, it's also a way to create hundreds of living-wage jobs for Washington families. Our Transportation budget is the most significant jobs package we're going to be passing this session, and it will send money and jobs to every corner of the state.

Work on the remaining projects funded by the "Nickel" tax of 2003 and the Transportation Partnership Act of 2005 will proceed as scheduled but requires a diversion of funds from other core transportation programs to make up for declining gas tax revenues. These projects were funded by the "Nickel" tax of 2003 and the Transportation Partnership Act of 2005 and support an average of 10,000 direct and indirect jobs each year.

The budget maintains the WSF vessel delivery schedule, with WSF taking delivery of the last of three new Kwa-di-Tabil class ferries in 2012, and provides \$66 million toward the eventual construction of a \$165 million cost of a new, 144-car capacity ferry. At the same time, the budget reduces WSF operating costs by more than \$30 million by reforming the collective bargaining rules, reducing service during off-peak hours, eliminating the Marine Employees Commission and moving to a more strategic marine insurance package for WSF vessels.

The budget restores \$20 million that the governor's proposed budget cut from the Regional Mobility Grant Program and provides \$17 million to continue the Rural Mobility Grant Program plus \$25 million to continue the Special Needs Transportation Grant Program.

Some budget items are out of the state's control. To meet federal requirements that public safety agencies communicate via narrowband by Jan. 1, the budget allocates \$40.1 million for radio infrastructure and equipment. The budget also provides \$8.2 million for mobile platforms to give troopers access to electronic vehicle and driver databases from their vehicles and to add digital video cameras to vehicles.

This transportation budget proposal also reflects the first time in history that the state will collect less transportation revenue than in the previous biennium. Spending is nearly \$1.7 billion higher than the estimated final spending for the 2009-2011 biennium. But, we've proposed cutting administrative costs by nearly \$28 million at the Department of Transportation and the Department of Licensing.

The budget also reflects further efficiencies dependant on the passage of a number of bills being heard by the Legislature:

- * Senate Bill 5405 reforms the operations of the Washington State Ferries (WSF).
- * SB 5250 expands the use of the design-build procurement process.
- * SB 5128 incorporates statewide planning reforms.
- * SB 5796 implements recommendations from the Joint Transportation Committee (JTC)'s public transportation study.
- * SB 5797 implements efficiencies from a JTC study of transportation agencies.
- * SB 5061 reforms vehicle/vessel titles and registrations.
- * SB 5251 imposes an annual fee on electric vehicles to make up for lost gas tax.

While the budget proposal we put forward this week does not include a change in the gas tax, it is possible that voters will be asked to approve a revenue increase down the road in order to avoid the looming deficits the state continues to face. We'll also be looking at a set of fee increases this year in the Legislature in order to fund State Patrol activities, and city and county transportation projects.

New local revenue for Seattle's transportation infrastructure

Last week I introduced [legislation](#) authorizing the City of Seattle to assess a parking stall tax to fund local transportation infrastructure maintenance and improvement projects. I made this proposal a day after the Senate Transportation Committee passed the 2011-2013 transportation budget bill ([SB 5176](#)), which included a 50 percent exemption from the City's commercial parking tax (CPT) for the University of Washington and public and non-profit hospitals in Seattle.

The City and UW are currently in negotiations regarding the CPT, and I'm committed to working with all parties to find an agreement that meets the needs of UW, our not-for-profit hospitals, and the City. Seattle has become overly reliant on the commercial parking tax, which is currently one of the highest in the country. It's unsustainable for students and hospitals to subsidize the City's transportation infrastructure at such a high rate when the costs of health care and higher education are skyrocketing.

Seattle's commercial parking tax—currently set at 12.5 percent of the parking fee charged by a commercial parking business—is dedicated to funding local transportation infrastructure projects. The University pays roughly \$1.8 million per year for the parking tax. But in testimony before the Senate Transportation Committee, students and representatives of the UW stated that in light of the massive funding cuts to higher education, the continuation of the CPT will force the University to discontinue the U-Pass program that provides free transit service to UW students, faculty and staff.

Under my bill ([SB 5910](#)), the new per-space tax on non-residential stalls within the City would account for revenue lost from the commercial parking tax exemption.

Since only a fraction of parking spaces in Seattle are subject to the CPT, the City is forced to assess a higher tax rate in concentrated areas in order to collect the necessary revenue to finance local transportation projects. The proposed 'per-space' parking tax is more equitable and better reflects the values and priorities of our City.

Many large cities, especially those in Canada and Europe, have transitioned from a commercial tax to a per-space tax as a way to reduce parking supply in urban centers and encourage commute alternatives.

Even though his bill was introduced after the legislative deadline for this year, I think it's important that we start this conversation now to ensure a workable solution is reached as soon as possible.

Survey results are in!

We distributed a constituent survey at the 46th District town hall meeting a few weeks ago to get a better sense of what 46th District constituents think about some of the big issues currently being debated in Olympia. If you haven't already done so, please click [here](#) to take the survey on-line!

Here are some of the preliminary results of the survey based on the responses we've gotten back so far:

- ✓ **87% (47 of 54) of respondents disapprove of Initiative-1053 and think that only a simple majority should be required to approve new taxes.**
- ✓ **The majority (83%) of respondents think a balanced funding approach of user fees and taxes should be used to fund state services.**
- ✓ **The majority (83%) of respondents think tax breaks should expire and be reviewed regularly for effectiveness.**

NOTE: Tax breaks are not currently reviewed regularly, but legislation has been introduced that would make this a requirement of the budget process.

And here are a few comments from the surveys:

"I am very concerned about Basic Health, Housing Trust fund, Disability Lifeline. Please continue to work toward tax reform, including.... state income tax."

"Education is top priority because it impacts all other areas. An educated populace has lower rates of crime, less health problems and a more prosperous economy. And it is the state's paramount duty!"

"I support a switch to income tax state wide- it needs to be graduated in some way to help to reverse the current regressive tax structure under which we operate."

"As a graduate student at the UW, collective bargaining and the union has helped to make sure we are sufficiently compensate- as a group we are cornered by both rising student fees and lowering compensation- these combined make our situation complicated- something which our union watches out for us."

"Tax breaks should be weighed against other state expenditures such as BHP and education. Microsoft and Amazon should pay their fair share for education, to have an educated workforce."

"The state is in deep financial trouble. New taxes are needed, but why is the use of the revenue critical? I STRONGLY support a state income tax and the elimination of that horribly regressive sales tax."

And that's it for this e-news update. Thanks for reading and for staying informed about these important issues in state government.

SBCTC